

## **FISCAL NOTE**

### **SB 3272 - HB 3689**

February 6, 2008

**SUMMARY OF BILL:** Creates job tax credits equal to \$2,000 for each new full-time and permanent high-tech job created, to be used against a taxpayer's franchise and/or excise tax liability, when such taxpayer has (1) made a capital investment of \$500,000, and (2) created at least five qualified high-tech jobs paying 150% of the county's average occupational wage.

#### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Exceeds \$100,000**

**Increase State Expenditures - \$137,000 / One-Time**

**Other Fiscal Impact – If future taxpayers are eligible for such tax credit as a result of this legislation, but would not have been under current law, there would be an unknown amount of foregone state revenue in future years. In addition, there could be subsequent economic growth and business activity that may aid the state growing its tax base. However, such impact is indirect and not quantifiable for the purpose of this fiscal note.**

#### **Assumptions:**

- “High-tech job” means an employment position within one or more of the following areas: agricultural science, materials science, media technology, nano-technology, renewable energy, or research and development.
- To be eligible for the exemption(s) provided for in this bill, the new high-tech jobs created must not have existed in Tennessee prior to their creation, and must have been filled during the tax year and are still in existence at the end of the tax year.
- The fiscal impact of this bill is dependent upon multiple unknown factors such as the number of taxpayers that will be eligible for tax credits and the number of qualified high-tech jobs they create. Therefore, a precise fiscal impact for this bill cannot be determined. However, it is reasonably expected that some existing taxpayers would

qualify for such tax credits, and state revenue would decrease by an amount exceeding \$100,000 per year.

- In addition, there could be substantial foregone state revenue if future taxpayers are eligible for such tax credit as a result of this legislation, but would not have been under current law.
- According to the Department of Revenue, there would be a one-time increase of departmental expenditures for software modifications to accommodate new job tax credits. Such one-time expenditures are estimated to be \$137,000.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc